

DURHAM CITY COUNCIL SPECIAL MEETING
Thursday, September 5, 2019 @ 10:07 a.m.
2nd Floor Council Conference Room – 101 City Hall Plaza

The Durham City Council met in closed session on the above date and time in the Council Conference Room at 1010 City Hall Plaza with the following members present: Mayor Steve Schewel, Mayor Pro Tempore Jillian Johnson and Council Members Vernetta Alston, Javiera Caballero, DeDreana Freeman, Mark-Anthony Middleton and Charlie Reece. Absent: None.

Also present: City Clerk Diana Schreiber.

Mayor Schewel called the meeting to order and announced the purpose of the meeting was to review the evaluations of the City Clerk and City Manager.

MOTION by Council Member Middleton, seconded by Council Member Alston, to enter into Closed Session pursuant to NCGS 143-318.11.(a)(6) for the evaluation of the City Clerk and City Manager and any other matters that may come before Council. Motion passed unanimously at 10:08 a.m.

City Manager Bonfield entered the Closed Session shortly thereafter.

MOTION by Council Member Reece, seconded by Council Member Alston to adjourn from Closed Session. Motion passed unanimously at 12:30 p.m.

DURHAM CITY COUNCIL WORK SESSION
Thursday, September 5, 2019 @ 1:00 p.m.
2nd Floor Committee Room – 101 City Hall Plaza

The Durham City Council held a Work Session on the above date and time in the City Council Committee Room located at 101 City Hall Plaza with the following members present: Mayor Steve Schewel, Mayor Pro Tempore Jillian Johnson and Council Members Vernetta Alston, Javiera Caballero, DeDreana Freeman, Mark-Anthony Middleton and Charlie Reece. Absent: None.

Also present: City Manager Tom Bonfield, Deputy City Attorney Don O'Toole and City Clerk Diana Schreiber.

Mayor Schewel called the meeting to order and welcomed all in attendance.

Mayor Schewel asked if there were any announcements by Council.

Mayor Pro Tempore Johnson requested a six-month extension on the charge of the Racial Equity Taskforce in order to complete viable recommendations to Council; and asked for her colleagues' approval to proceed and the attorney's advice on the extension.

Deputy City Attorney O'Toole responded he would review the Racial Equity Taskforce bylaws to determine the procedure to be used to extend the charge of the taskforce and would then report back to Council.

Mayor Schewel stated that Council would await advising from the City Attorney's Office.

Council Member Middleton explained that he was scheduled to attend the Resilient City Summit in Washington, DC on September 16, 2019 and the conference conflicted with his attendance at the next regular Council Meeting scheduled for September 16, 2019; for this reason, he requested an excused absence.

MOTION by Council Member Alston, seconded by Council Member Caballero, to excuse Council Member Middleton from the September 16, 2019 regular Council Meeting. Motion passed unanimously.

Mayor Schewel requested priority items from the City Manager, Attorney and Clerk.

City Manager Bonfield stated he had three priority items: Item 29 and 31, Citizen's Matters, would not be presented due to the individuals\ not being at the meeting; and requested a Closed Session at the conclusion of business.

MOTION by Mayor Pro Tempore Johnson, seconded by Council Member Caballero, to accept the City Manager's Priority Items. Motion passed unanimously.

The City Attorney and City Clerk had no priority items.

Mayor Schewel read the Work Session Agenda Items from the printed agenda and pulled the following items for further comment and/or discussion: Items #7, 8, 9, 10, 11, 12, 15, 19 and 22. Mayor Schewel recommended that Item 3, Durham City-County Appearance Commission – Appointment be re-advertised for more diversity within the applicant pool; and reiterated that Items #29 and 31 would not be heard since the speakers were not in attendance.

Mayor Schewel announced it was time for Citizen's Matters and Public Comment.

SUBJECT: CITIZEN'S MATTERS: CHRIS TIFFANY (ITEM 30/ PR 13446)

To receive comments from Chris Tiffany regarding response to questions and comments.

Mr. Tiffany addressed his complaints against police officers and said there was no trust between himself and officers who had taken complaints and spoke to other injustices.

SUBJECT: CITIZEN'S MATTERS: AKIVA FOX

To receive comments from Akiva Fox regarding changing the ways the City funds local, independent arts and artists.

Mr. Fox, independent theater artist, explained how the art scene was threatened in Durham and urged Council's support for local artists.

SUBJECT: CITIZEN'S MATTERS: ASHLEY MELZER

To receive comments from Ashley Melzer regarding protecting and supporting Durham Independent Artists.

Ms. Melzer addressed the need for permanent performance space for local theater groups and spoke to complications associated with changes of venues; and requested municipal support for local artists.

SUBJECT: CITIZEN'S MATTERS: NICOLA BULLOCK

To receive comments from Nicola Bullock regarding funding for the arts.

Ms. Bullock, independent dancer and choreographer, advocated for city-funded performance space and expressed concerns about being pushed out of reasonably priced performance spaces. She spoke to her experiences in the art community and explained how artists accessed health insurance in Berlin, Germany.

SUBJECT: PUBLIC COMMENT SPEAKER: ELLEN PLESS

Ms. Pless made remarks pertaining to the Unified Development Ordinance's lack of protections of national historic districts; and wanted to know each Council Members' stance and future visions of national historic districts, on a scale of 1-10 (low-top priority).

Mayor Schewel requested Ms. Pless to provide additional information via email to inform Council about the impacts on Durham's National Historic Districts.

Council expressed their support.

Taking the prerogative of the Chair, Mayor Schewel stated that since the presenters for Item 8 were not yet in the Committee Room, the next agenda item to be addressed would be Item 9.

SUBJECT: FY17-18 EMERGENCY SOLUTIONS GRANT WITH URBAN MINISTRIES OF DURHAM – SUBRECIPIENT CONTRACT AMENDMENT FOR RAPID RE-HOUSING SERVICES (ITEM 9/ PR 13426)

Mayor Pro Tempore Johnson requested additional context as per the rationale about shifting costs from the non-profit partner formerly contributing the financial match prior to the city taking on that responsibility.

Director of Community Development Reginald Johnson deferred to Sheldon Mitchell, Director of Urban Ministries, to respond.

Director Mitchell explained the methodology of match, with an across the board percentage and then discovered that a different methodology was required to be utilized resulting in his organization not being able to provide for the full match.

Mayor Schewel inquired about the number of rapid rehousing cases served and asked about the future of the program.

Director Mitchell urged continued funding of the program that offered single adults with long-term benefits and others with short term needs.

Mayor Pro Tempore asked Director Johnson if it was the intent for the city to be paying the match for federal funds rather than the non-profits.

Director Johnson responded that the match would continue to be passed on to providers.

SUBJECT: FY2019-2020 GENERAL CAPITAL IMPROVEMENTS BUDGET (CIP) AMENDMENT REQUEST FOR GENERAL CAPITAL IMPROVEMENTS ORDINANCE #15486 (ITEM 10/ PR 13441)

City Manager Bonfield requested that Council consider suspending the rules and vote on the Ordinance due to the funding deadline of the Durham Affordable Housing Loan Fund Agreement and to allow time to process the payment.

MOTION by Council Member Middleton, seconded by Council Member Alston, to suspend the rules in order to vote on the item. Motion passed unanimously.

MOTION by Council Member Alston, seconded by Mayor Pro Tempore Johnson, to adopt an ordinance amending the General Capital Improvements Project Ordinance, Fiscal Year 2019-2020, as amended, the same being Ordinance #15486, for the purpose of adding the Durham Affordable Housing Loan Project in the amount of

\$2,000,000 was approved at 2:36 p.m. by the following vote: Ayes: Mayor Schewel, Mayor Pro Tempore Johnson and Council Members Alston, Caballero, Freeman, Middleton and Reece. Noes: None. Absent: None.

ORDINANCE 15546

SUBJECT: ELECTRIC BUS PROCUREMENT (ITEM 11/ PR 13404)

Bill Judge, Acting Director of Transportation and Pierre Osei-Owusu, Data Bus, presented the item.

Mayor Schewel inquired about the cost of the buses and intent to purchase three buses.

Mr. Oswi-Owusu responded that due to the cost of the electric power station, the city had funds budgeted for two extended sized buses and expected to purchase three buses with additional grant funding.

SUBJECT: U-4724 CORNWALLIS ROAD SIDEWALK AND BIKE LANE MUNICIPAL AGREEMENT (ITEM 12/ PR 13431)

Council Member Caballero asked for an update the Durham Walks Plan. Mr. Judge noted the project pre-dated the Durham Walks Plan and would have a report ready in the future. He explained that the project involved one mile of construction consisting of road widening with sidewalks, curb/gutter and bicycle lanes.

Mr. Judge addressed the topic of projects in the memo to Council and noted that staff would be coming forward with intervening cost increases for construction, in some cases, nearly double the original costs and stated there were ten such projects. He spoke to working interdepartmentally with Public Works to improve cost estimation.

Mayor Schewel stated there was a speaker to the item.

Victoria Peterson, resident of Durham, expressed concerns about bikes along roadways and complications that could result when drivers had peripheral vision issues.

SUBJECT: CULTURAL AND PUBLIC ART RESOLUTION TO INCORPORATE MEMBERSHIP CHANGES AND DEPARTMENT AFFILIATION (ITEM 15/ PR 13442)

Stacey Poston, Special Projects Manager, General Services, responded to Council's questions.

Mayor Schewel inquired as to who was the staff person assigned to the Cultural and Sustainability Division of General Services.

Ms. Poston responded that Jina Probst was the Interim Director of General Services, stated that she herself was in the lead position of a Division called Arts, Culture and Sustainable Communities, the Public Art Committee and the Cultural Advisory Board were housed within the management of the unit. She continued by stating that Rebecca Brown was hired as the Manager of the Cultural and Public Art Program.

Mayor Schewel encouraged staff to figure out a way to support local artists, to provide performance spaces and to continue participating in discussions between the city and local artists.

**SUBJECT: MUNICIPAL SEPARATE STORM SEWER SYSTEM (MS4)
INSPECTIONS (SD-2019-06 AND SD-2019-07) (ITEM 19/ PR 13438)**

Dana Hornkohl, Civil Engineer, responded to questions regarding storm sewer system inspections contractors. Mayor Schewel observed that both companies, HydroStructures and Vision, had very low employment of African-American employees and asked if representatives of the companies could address hiring practices.

Mr. Hornkohl stated that he would email information regarding HydroStructures' hiring practices to Council and that a representative would be attending the next Council meeting to address Council's questions.

Mr. Hornkohl deferred to Scott Hamrey, representing Vision, to speak about his company's hiring practices.

Mr. Hamrey stated that his company had no African-American employees due to hiring employees based on personal referral.

Mayor Schewel emphasized that city contractors needed to exhibit diverse workforces and asked if the company was interested in the city's youth internship program.

Mr. Hamrey stated that his company was interested in the youth internship program and requested information.

**SUBJECT: AFFORDABLE HOUSING BOND ADVISORY COMMITTEE REPORT
(ITEM 8/ PR 13454)**

Reginald Johnson, Director of the Department of Community Development, and Karen Lado, Assistant Director of Strategy, presented. Additional presenters were Tobias Rose and Wib Gulley who led the Affordable Housing Bond Advisory Committee.

Director Johnson explained the background of the item by stating Council had agreed to put an affordable housing bond referendum on the November 2019 ballot and noted that the Advisory Committee would be presenting their final report that day.

A PowerPoint presentation was made that included revisions to the original proposal, updated financials, anticipated results, economic impact and financial cost.

Tobias Rose spoke to the item and explained the guiding principles that all Durham residents were entitled to shelter, sought to eliminate displacement, stated affordable housing should be available throughout all neighborhoods, support for existing programs and diverse communities – socioeconomic and culturally, and support for diverse hiring practices.

Wib Gulley, former Mayor of the City of Durham, explained that everyone would benefit by creating stable, diverse neighborhoods and workforce housing and asked the members of the advisory committee to introduce themselves in the audience.

Mr. Gulley acknowledged the report endorsed Council's focus on affordable housing, housing homeless and those under 30% AMI (Average Median Income), economic development of local businesses and residents, mechanism for accountability to constituents, and the benefits to Durham residents.

Mayor Schewel asked Council for their questions and concerns.

Council Member Freeman appreciated the discussion of the issues around economic development; urged renewable and energy efficiencies in renovations and appreciated knowing the committee was working together.

Mr. Gulley responded that in the report, it identified how affordable housing initiatives had energy efficiencies built into the programs.

Mr. Rose offered additional information on renewable energies and sustainability along with how to handle future maintenance costs.

Mayor Schewel noted the Sierra Club endorsed the bond due to it having important environmental-friendly qualities of density promotion and favored affordable housing being located near transit.

Council Member Caballero spoke to ensuring that folks would be trained in jobs within the sustainable, green energy building sectors and urge wiring DHA properties for solar.

Mr. Rose addressed the recommendations that focused on workforce development and training of vendors and contractors in green industries and how to ensure diversity within the construction industries.

Mayor Schewel stated there was \$2.5 million built into the affordable housing plan for training of workers. He said that the Durham Housing Authority residents would be given priority in the training pool and then opportunities would be opened to the rest of Durham residents.

Mr. Rose noted that partners such as Duke University, NC Central and NC State were included in the process in accessing technology.

Mayor Schewel made remarks pertaining to the Affordable Housing Bond Committee Report:

- Accountability and trust issues from past displacement of residents
- Institute mechanisms with minority contracting requirements
- Experienced developers with minority sub-contracting with a floor of \$130 million for disadvantaged businesses
- Leveraging units for persons under 30% AMI at Durham Housing Authority and elsewhere
- Eviction Diversion funding
- Expanding homeless work involving rapid rehousing and permanent supportive housing
- Neighborhood stabilization funding working with current group of non and for profit housing developers for persons living under 30% AMI
- Layers of accountability – DHA, community group to hold the city accountable for implementation of the entire period of the bond, every expenditure that's made through bond will come before Council for a vote
- Website being built to provide project statuses

Karen Lado, Assistant Director to the Department of Community Development, highlighted changes and put forth the summary of anticipated results from bond funding.

Four overall changes as a result of the recommendations of the Bond Advisory Committee were:

1. Increased funding for eviction diversion
2. Increased support for new homeownership opportunities
3. Incorporation of estimated bond issuance costs, and
4. Reduced investment in multi-family rental new construction to offset increases

Mayor Pro Tempore Johnson inquired about the increase in eviction diversion efforts of \$350,000 in FY20 and then increased to \$500,000, thereafter.

Assistant Director Lado would verify the figures.

Council Member Freeman inquired about the funding of existing homeowners to build ADUs (Accessory Dwelling Unit) and stated there was no program in place to explain the process.

Assistant Director Lado stated that there was a need to figure out financing barriers and what an appropriate financing product would look like; and she continued explaining that staff was envisioning the piloting of a leveraged financing tool, funded by the City and other investors, for homeowners who would like to build accessory dwelling units. She said that staff would be work on the design of such a program this year.

Council Member Freeman inquired about development pressures on current homeowners in East Durham.

Mayor Schewel responded that the five-year housing plan and the affordable housing bond represented bold interventions to counteract rising property taxation and displacement; and spoke to staff conducting outreach to the elderly, disabled and low-income residents to ensure they understood the implications of the bond.

Assistant Director Lado detailed the anticipated results of the affordable housing bond referendum:

- Nearly 1600 new affordable rental units created
- Over 800 affordable rental units preserved, including public housing, existing income restricted housing and naturally occurring affordable housing (NOAH)
- At least 400 homeownership opportunities created through a combination of construction of affordable homes and down payment assistance for low income home buyers
- At least 1700 homeless households living in emergency shelter moved into permanent housing
- At least 2700 low-income renters and homeowners stabilized (through eviction diversion, emergency rental assistance, property tax assistance and repair/rehab funding)

Assistant Director Lado detailed that in terms of economic impact, the \$160 million total investment would leverage approximately \$443 million in capital for the projects and \$130 million in contracting opportunities prioritized for women and minority owned enterprises and that nearly 3,000 jobs were expected to be supported through construction, operations and resident spending over the life of the housing created and explained the multiplier effect. She stated that staff anticipated the \$160 million investment funded by a combination of bond proceeds and existing local and federal funds, and the bond portion would be paid for by an anticipated increase in property tax of 1.6 cents. She summarized that up to \$95 million in investment from the new affordable housing bond if approved by the voters, averaged out to \$37/year for an average homeowner, in other words, \$3/month in property taxation.

Mayor Schewel asked for Council comments.

Council Member Freeman urged a new program for ADUs and for existing property owners.

Mayor Schewel stated there was a speaker for public comment.

Victoria Peterson, resident of Durham, explained she did not support the bond and urged actions be put in writing.

Council Member Freeman spoke in support of the affordable housing bond and the principles that the bond would be guided by and she addressed vocational programs at Southern High and Holton; and stated that there needed to be more communication about the affordable housing bond to the Black community.

Mayor Schewel expressed appreciation for the Co-Chairs and the Affordable Housing Bond Advisory Committee for their efforts and summarized that the affordable housing bond doubled homeownership opportunities and emphasized the resulting employment and contracting side.

**SUBJECT: DISCUSSION ON THE COMMUNITY SAFETY TASKFORCE
(ITEM 7/ PR 13452)**

Mayor Pro Tempore Johnson introduced the topic, suggested having a discussion about putting together a community taskforce for Council to think of ways to develop community-based initiatives address safety and violent crime in the city. She detailed various organizations with the objectives of keeping communities safe while avoiding the collateral, negative consequences of those involved in the criminal legal system. She hoped the conversation would create a community body that could provide advice, vet ideas, gather community input and design programs addressing violent crime.

Mayor Schewel stated there were speakers to the item.

Danielle Adams of Cobblestone Place, spoke to the concept of Freedom to Thrive. She stated that public safety policies could be reimaged through the budget, putting resources into programming and not over-criminalizing communities.

Mab Segreast of Ruffin Street, spoke to a proposal for a community led safety and wellness taskforce; remarked that over the past forty years, resources had been diverted from community health and safety and into the military and the police; recognized the different type of alarm responses and 911 calls; and spoke to the Kahootz System from Oregon.

AJ Williams of Ida Street, spoke to gentrification, gang violence and against increased policing used to surveille communities; stated that police were reactionary and stated he was opposed to expanding additional policing resources.

Andrea Muffin Hudson of Junction Road, urged boots on the ground doing work in communities having hard conversations about living conditions, and favored assistance focused on finding out what do persons need to thrive consisting of basic needs of housing, mental health services, love, understanding and food.

Manju Rajendran of Summit Street, spoke in favor of Council's decision to increase wages of city employees and their efforts to advance eviction diversion instead of expanding the police force and supported the proposed safety and wellness taskforce.

Mayor Schewel requested Council's comments.

Council Member Alston made remarks pertaining to Council's vote on the budget and tragedies within the community that has provided perspective on the topic of policing; noted a common thread was the need and value of community in supporting each other and responding to tragedy, shootings and violence and hoped the taskforce could become an effective tool utilized by stakeholders in responding to overlapping crises.

Council Member Middleton stated the Durham Police Department was not an occupying military force nor a surveilling agent on the streets of Durham; supported the community led taskforce and spoke to the reactions of elected officials to gun violence; stated there was no causal linkage between the vote to not fund 18 additional officers and any of the shootings, and not the death of Zion Person and repudiated those types of comments. He urged multiple city and county resources be utilized to respond to violence in the entire city by revisiting additional officers, ShotSpotter and violence interrupters along with the taskforce.

Council Member Reece inquired about how to partner with Durham County.

Mayor Schewel addressed the larger issues prior to proposing a course of action and spoke in support of the current police administration and policies. He continued by saying that police needed to build trust in the community and that the council needs to build trust with the police force; and added that most of the interests of the taskforce have been within the County's purview- mental health, mobile response, violence interrupters, social and public health.

Mayor Schewel proposed a formalized discussion with Durham County, appointing a Council Member to meet with County Commissioner to talk about how to structure the taskforce and to move ahead with the taskforce- a partnership between Durham County, Durham Public Schools and the City of Durham.

Council Member Freeman added that the Sheriff and District Attorney should be included in the conversations. Mayor Schewel agreed.

Council Member Caballero stated that the change in the community would require transformative change toward violence in the community and that every actor possible needed to be at the table – including Durham County Commissioners, Durham Public Schools and expressed support for the taskforce and that the current iteration of the taskforce was not presented in May 2019.

Council Member Freeman urged to include charter and private school parents.

Council Member Middleton remarked on the composition of the taskforce and the request for \$200,000.

Mayor Schewel was not proposing a structure but that a structure be figured out in a discussion with the Durham City Council, Durham County Commissioners and Durham Public School Board.

Mayor Pro Tempore Johnson expressed a concern that the taskforce needed to have a specific charge and narrower focus with resulting outcomes.

Council Member Middleton asked that the narrowing verbiage speak directly to why Council was having this discussion, what the taskforce would do to reduce gun violence in the city and what it would do to make this type of occurrences in the city less likely.

Mayor Schewel asked for Council's approval to appoint Council Member Alston to work with the Durham County Board of Commissioners and Durham Public School Board to bring back guidelines for how the taskforce be structured. The vote was 6:1 with Council Member Freeman voting no.

Council Member Alston expressed her willingness to accept the charge.

SUBJECT: FY2018-19 FOURTH QUARTER REPORT (ITEM 22/ PR 13435)

John Allore, Assistant Budget and Management Director, made the presentation titled *FY2018-19 4th Quarter and Preliminary Year-End Financial Report* and answered Council's questions.

Executive Summary

The administration is pleased to present the Fourth Quarter Financial Report for FY2018-19. This report is based on twelve months of financial information. The administration presents each quarterly report to City Council at a regularly scheduled work session. A presentation of this report will be provided to the City Council at the September 5th work session. The report will also be published on the City's website at: <http://durhamnc.gov/Archive.aspx?AMID=39>.

Attached Exhibits

A number of charts and tables are attached to this document to provide the City Council with additional information on the City's financial status in key areas. Below is an overview of the attachments and highlights of activity.

Exhibits 1 & 1A: General and Debt Services Funds Budget-to-Actual Summary and Year End Projections by Department

This provides a summary of budget and actual general fund revenues and expenditures for all departments through the fourth quarter of FY2019. All departments ended the year within budget. Departments spent \$5.2M less than budgeted, with personnel costs savings of \$1.9M and savings in operating and other costs of \$2.6M.

Property Taxes: Year-end collections were at \$174M for all funds compared to \$167.9M for the same period in FY2019 (positive variance of \$4.1M or 2.4%). The 2019 amount includes property tax in the General Fund, Debt Service Fund, Solid Waste Fund, Transit Fund and Dedicated Housing Fund. General Fund property taxes were at \$100.3M (an additional \$2M or 102% compared to budget).

Sales Taxes: The City will receive the final sales tax payment for FY2019 and the fourth quarter sales tax payment on electricity and natural gas in September 2019. Based on the September estimate, the City expects to end the year at \$66.1M, a decrease of \$935K from what was budgeted. This decrease is driven by an abnormally high amount of refunds in FY 2018-19, including refunds which should have been processed by the state in FY 2017-18. The actual sales tax number will be adjusted when the September payment is received. In FY2018 the City received \$65.3M in sales tax.

Other Revenues: At approximately \$3.6M, utility franchise tax was down \$202K compared to last fiscal year. Permits decreased by \$96K compared to the previous fiscal year (-17.3%). Occupancy tax increased by \$201K in FY19 (8% increase). Powell Bill increased by \$19K in FY19 to \$6.31M (.3% increase). Charges for services increased from \$7.6M in FY18 to \$9.8M in FY19, an increase of \$2.2M (29%). Sale of Property decreased from 1.5M in FY18 to \$1.1M in FY19 (a decrease of \$399K or 27%)

The following chart shows a comparison of major revenues for Quarter 4, 2019 and 2018. As shown, total major revenues (excluding property tax) year-end for FY2019 are \$98,185,756 compared to \$90,902,621 for FY2018.

General Fund Major Revenues

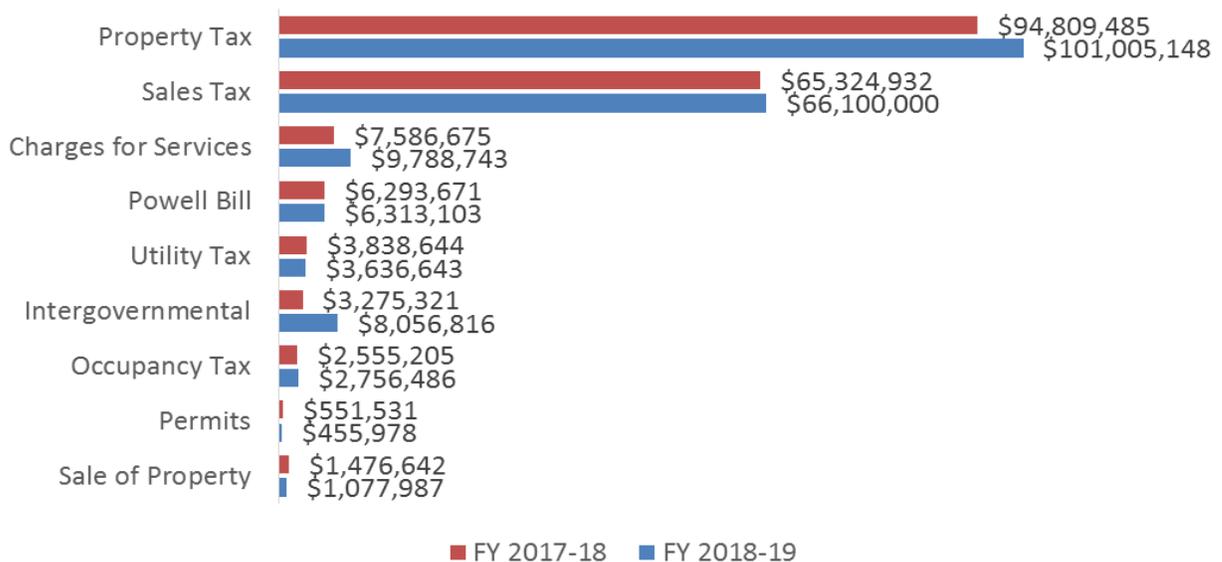


Exhibit 2: Enterprise Fund Budget-to-Actual

This provides a summary of budgeted and actual revenues and expenditures in each enterprise fund. The results for each major fund are summarized below.

Water & Sewer Operating Fund

For the fourth quarter of FY 2019, operating revenues were 99.04% of budgeted operating revenue, however non-operating revenues were at 143.75% of the budgeted amount. Overall revenues were \$22,000 over budget or about 0.022%. Operating expenses were 93.20% of budgeted operating expenses. Personal services ended the year at 99.57% of budget, which is higher than previous years. Between personnel and operating there was about \$861K in savings versus budget. There were significant savings versus budget in transfers to other funds.

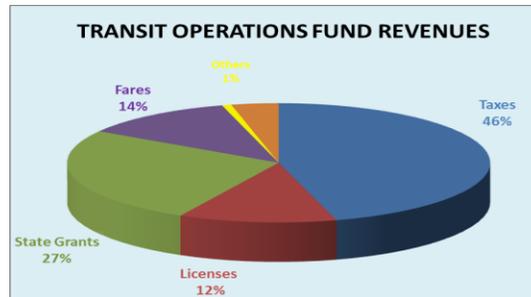
Per the Finance Department: Operating Transfers to other funds were budgeted to move accumulated cash from the operating fund to pay for the large CIP program in the water/sewer enterprise. The original budget of \$89.2 million was estimated based on upon the expected timing of CIP spending as well as anticipated borrowing and end of year cash balances. At the end of the fiscal year, once actual CIP spending and borrowing amounts were known, the actual transfers were adjusted to ensure appropriate levels of cash remained in both the operating and capital funds. This results in a \$20 million positive variance from budget. This should not be interpreted as either positive or negative as it relates to the financial performance of the water utility overall since the transfers were only intended to move existing cash from operating to capital within the overall enterprise.

The Water and Sewer Fund is a self-sufficient enterprise fund deriving all revenues from charges to customers and receives no tax support. All excess funds of revenues over operating and debt expenditures are dedicated to capital projects. The fund has consistently finished each fiscal year in a strong positive financial position.

Transit Operations Fund

The Transit Fund ended the year with a \$2M deficit and used fund balance; which is \$745K more than anticipated compared to adjusted budget. Operating revenues collected were 82.9% for the year. Fixed route services revenue is down primarily due to unmaterialized ridership, this issue is consistent with trends from last year. Overall revenues for the year were under by 3% of projected.

Operating cost will be slightly over budget by \$250K and can be attributed to increased contractual services costs.



The Transit Operations Fund receives a significant amount of support from property taxes (3.56 cents per \$100 on the tax rate). These funds account for about 46% of budgeted fund revenues in the FY2019 adopted budget. State grants are another large funding source for the Transit Operations Fund. With fee increases last approved in FY2004, charges to system riders return approximately 14% of the cost of operations. The Transit Operations Fund is not inclusive of federal transit grants, about \$5.9M estimated for FY2019, which are also used to support the GoDurham transit system personnel and maintenance/capital costs.

Solid Waste Fund

The Solid Waste Fund received more operating revenues than budgeted for FY19, collecting an extra \$173K over what was anticipated. This increase is due primarily to higher than expected revenues from, white goods sales, yard waste fees, MSW tipping fees, scrap tire rebates and white goods rebate. Total revenues collected for the Solid Waste Fund were roughly \$846K over what was budgeted for FY19.

Personnel expenditures for the Solid Waste Fund were roughly \$538K over budget for FY19. This is due primarily to overage in overtime expenses and contractual labor. The department must use overtime and contract labor to fill in when staff are out sick or on FMLA in order to cover routes. The Solid Waste Fund had some operating savings in FY18. The fund will end the year with a \$698K positive position relative to budget.

Storm Water Management Fund

The Stormwater Management Fund provides for the management and maintenance of operational expenses of stormwater activities which include street cleaning. A transfer is also made from the operating fund to Stormwater Capital Improvement Program project funds for private property and watershed planning and design projects. The Stormwater fund is a self-sufficient enterprise fund and receives no tax support.

At the end of the fourth quarter operating revenues are 108% of the adjusted budget, up 3% over the same period last year. This increase is largely due to the increase customer growth, engineering inspection services and increased street cuts with the Water Management department. The Stormwater fund had a slight increase in personnel expenses due to the pay and comp study, and a \$245K decrease in operating costs.

The surplus in revenue collections and savings in expenditures will leave the fund in a positive position of \$1.93M relative to adjusted budget, which will allow the fund to balance with less fund balance than adopted.

Parking Facilities Fund

The Parking Fund is anticipated to end the year with a \$2.4M deficit for FY2019; which is an increase of \$727K over the funds adjusted FY19 budget. Operating revenues were significantly under budget by 25.64%. This shortfall can be directly attributed to the delayed opening of the Morgan Street garage, and the completion of several long-term construction projects. These factors impacted both monthly and hourly parking revenue trends. The insourcing of parking management administration reduced expenditures and helped to off-set the revenue loss. It should be noted that increased debt-services over the same time last year are tied to the new garage.

Ballpark Fund

The Ballpark Fund currently relies on the General Fund and the Debt Service Fund for 74% of budgeted funding. In January 2014, all operations became the responsibility of the Durham Bulls under the new agreement. The remaining budget items include debt service payments, the collection of interest, and the revenue sharing established in the most recent agreement. The Ballpark Fund finished FY19 with a surplus of roughly \$120K, collecting approximately \$77K more in operating revenues than anticipated.

Exhibit 3: Investments

This provides a summary of the allocation of our investment portfolio as well as the investment earnings so far during the current fiscal year.

Exhibit 4: Risk

This provides a report of claims payments made to liability claimants in accordance with Council Resolution #8810.

Exhibit 5: Contracts

This provides a summary of the number and type of contracts that were authorized so far during the year.

Exhibit 6: Impact Fees

This table shows the amount of impact fee funds available for streets, open space and parks, by zone. Project obligation by current ordinance is shown. Revenues shown are actual revenues year-to-date.

Exhibit 7: Planned Debt Issuance

This report summarizes any actual debt issuance so far for the current fiscal year.

Exhibit 8: Donations Report

This report lists amounts donated to the City of Durham from various sources.

Exhibit 9: CIP Stoplight Report

This report summarizes the progress of all Council approved capital projects.

Exhibit 10: 2018 Tax Settlement Report

The tax settlement report for 2018 provided by the Durham County Tax Administrator.

Assistant Director Allore summarized that overall, there was good news and predictions happened as predicted; expenditures were under by \$5.2 million and surplus of \$2 million associated with an overage of property tax for a positive variance of \$7.8 million. No departments went over budget and carryover requests were in process. The transit operating fund was operating at a deficit and staff would address this point.

Council had the following questions/comments.

Mayor Schewel spoke to the General Fund being over in property tax revenues and under in expenses and reiterated the fund balance as of 6/30/19 was \$51.2 million, which is more than the 16.7% target;

Assistant Director Allore stated that the Fund Balance would be reduced by \$4 million per year for additional paving needs and deferred to Acting Director Transportation Bill Judge for a report on the public transit budget.

Interim Director Judge responded to the revenue side- ridership was down, an increase in GoPass and Youth pass usage and there was a reduction in state funding; the operating side, involved working with GoTriangle with higher operating expenses for buses; it was expected that lower performing routes would be re-routed.

City Manager Bonfield stated that there would be a meeting scheduled with the new leaders of GoTriangle to focus on bus transit funding and operations.

Interim Director Judge addressed lost parking revenues from the delayed opening of the new Morgan Street/Rigsbee Street Garage and when operations were taken over from the previous contractor, there was an overstated figure in monthly parkers and now there were additional monthly parking permits able to be sold.

Thomas Leathers spoke to street closures and bike lanes being related to lost revenues and addressed creative pricing strategies by regulating loading zones and TNZs and residential parking district fees.

City Clerk Schreiber announced Council's actions in regard to boards, committees and commissions:

- Jennifer W. Belle was nominated to the Human Relations Commission
- The vacancy to the Durham County Appearance Commission was requested to be re-advertised
- Jessica C. Slice was nominated to the Recreation Advisory Commission
- After discussion, it was determined that Juilee N. Malavade would be nominated to the Durham City-County Environmental Affairs Board.

Settling the Agenda – September 16, 2019 City Council Meeting

City Manager Bonfield referenced the following items for the Consent Agenda, Items 1-2, 4 through 9, 11 through 21; and General Business Agenda - Public Hearing Items 23 through 28.

MOTION by Council Member Caballero, seconded by Mayor Pro Tempore Johnson, to settle the agenda as per the City Manager’s recommendation for the September 16, 2019 City Council Meeting. Motion passed unanimously.

Prior to entering Closed Session, Council took a break between 4:00 p.m. – 4:06 p.m.

Council Entered Closed Session – 4:07 p.m.

MOTION by Council Member Freeman, seconded by Mayor Pro Tempore Johnson, to hold a closed session to discuss matters relating to the location or expansion of industries or other businesses in the City of Durham, pursuant to G.S. 143-318.11(a)(4).

Council Returned to Open Session – 4:54 p.m.

MOTION by Mayor Pro Tempore Johnson, seconded by Council Member Freeman, to return to Open Session. Motion passed unanimously.

No action was taken in Open Session.

Being no further business to address, the Work Session was adjourned at 4:54 p.m.

Diana Schreiber, NCCMC, CMC
City Clerk